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98TH CONGRESS, 1st Session } SENATE { REPORT No. 98-183

EXPORT-IMPORT BANK ACT AMENDMENTS OF 1983

JULY 18, 1983.—Ordered to be printed

Mr. PERCY, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 869]

The Committee on Foreign Relations, to which was referred section 205 of the bill S. 869, to amend the Export-Import Bank Act of 1945, having considered the same, report favorably thereon with amendments and recommends that the bill as amended do pass.

BACKGROUND

On June 10 the Committee on Foreign Relations received sequential referral of S. 869, the Export-Import Bank Amendments of 1983, for the specific purpose of reviewing title II, section 205. This bill was reported to the full Senate by the Committee on Banking on May 16. Title II as reported by the Committee on Banking incorporates four main features: First, it directs the President to pursue international negotiations to limit and set rules governing the use of official mixed credit export financing; second, it establishes a program of mixed financing within the Export-Import Bank; third, it directs the AID Administrator to establish a similar mixed credit program within that agency; and finally, it directs the President to appoint a mixed financing coordinator within the Federal Government.

The Committee on Foreign Relations requested referral of this legislation to consider various aspects of section 205. This section contains a provision requiring the Administrator of AID to establish a program of "mixed financing," which is defined as an export credit facility combining government credits, including concessional credits or grants, insurance and/or guarantees with similar financing from other Government and/or private organizations.

In a series of hearings held earlier this spring, the Subcommittee on International Finance and Monetary Policy of the Senate Com-

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mittee on Banking heard testimony indicating that in 1982 the United States incurred lost sales of more than $450 million due to foreign competition that had benefited from export credits, composed of a mix of foreign aid funds and other governmental export financing. At present, U.S. companies competing for business overseas against foreign companies aided by this type of commercial credits mixed with partially concessional financing supported by foreign governments do not have access to U.S.-supported mixed credits. To deal with this "pernicious form of official export financing" the Subcommittee on International Finance and Monetary Policy drafted the legislation incorporated in title II, designed to invigorate efforts to negotiate limits and rules on mixed credit use by foreign governments, while authorizing use of this capability by Eximbank and AID pending resolution of the broader issues of mixed credit use.

Committee Action

The committee sought referral of S. 869 in order to assess the impact of title II on existing foreign assistance programs. The committee held a hearing on June 30 at which time it heard from three administration witnesses representing AID, the Treasury Department, and Export-Import Bank.

On July 12 the committee marked up S. 869 and adopted two amendments intended to accomplish two purposes: First, to clarify the language contained in title II of this legislation to insure that mixed credits used by AID, are consistent with the goals, purposes and objectives, as already set forth in existing law, of the ESF program which is managed by AID; second, to limit the total pool of AID moneys which may be devoted to such purposes to that amount allocated for commodity import programs, financed by ESF.

The committee reported the bill favorably by voice vote and without objection.

Committee Comments

In requesting referral of S. 869 the committee was concerned that in pursuing the important goal of increasing U.S. exports there be no adverse impact on U.S. aid programs. Only recently, the committee, during the markup of the foreign assistance legislation, had to make difficult choices between programs and among countries in allocating scarce aid funds.

Particular concern was expressed with respect to section 205(e) of title II which authorizes the Administrator of AID "to draw on economic support funds, as necessary, and to establish a fund, as necessary, for carrying out a mixed financing program."

The Congressional Budget Office advised the committee that estimating the cost of implementing these mixed credit programs is highly uncertain and depends on a number of variables which cannot readily be determined. CBO estimated that implementation could require authorization of as much as $300 million for the programs of both agencies, but also assumed that these estimated authorizations would be in addition to amounts already authorized for AID. This assump-

tion stems from the observation that the purposes of title II do not match closely the purposes of AID assistance programs.

Noting these differences of purpose, the committee was nevertheless concerned that economic support funds, cited in section 205 as the source of funding for AID mixed credit facility, not be diverted to uses different from those intended by Congress. This concern was the origin of two amendments to assure that use of ESF for mixed credits must be consistent with the economic security and political criteria set forth in the Foreign Assistance Act used to establish country allocations of economic support funds, and be limited to ESF funds allocated for commodity import programs.

Three administration witnesses testified in general opposition to title II of S. 869. Mr. John Bolton, Assistant Administrator of AID's Bureau for Program and Policy Coordination noted that "both AID and Exim already have authority to do mixed credits, as seen in AID's mixed credit program in Egypt." He also raised the concern that "the use of ESF funds to support mixed credits could easily result in a diversion of ESF funds from their foreign policy and economic development objectives."

Mr. Warren Glick, the General Counsel of the Export-Import Bank echoed this concern noting that "Eximbank and AID generally work in different countries with different mandates." He went on to say, by way of elaboration, that "requiring AID to provide mixed credits could mean a diversion of its resources away from economic development projects in poorer nations to middle income countries where commercial import competition tends to be most acute, and where Eximbank is most active."

Finally, Mr. Robert Cornell, Deputy Assistant Secretary for International Trade and Investment Policy, in the Department of negotiations aimed at the reduction and eventual elimination of the practice of providing mixed credits. "We are," he noted to the committee, "finding increasing support by other exporting governments for our position that this is a wasteful, dangerous, and ultimately futile form of competition."

The committee took note of these administration objections to title II but also shares the Banking Committee's concern that American exporters are being victimized by the subsidized mixed credit programs of other countries. The committee believes that the amendments it has adopted maintain both the integrity of our security assistance efforts and support a program to enhance the competitive position of the American exporter.

Section-by-Section Analysis

SHORT TITLE

This title provides for certain guidelines governing the establishment of a program of mixed financing for the Export-Import Bank, and for the Agency for International Development. A full section-by-section analysis of title II is contained in Report No. 98–111, accompanying S. 869 as reported out by the Committee on Banking.

ESTABLISHMENT OF A MIXED FINANCING PROGRAM IN THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Section 205 is amended in two ways: 205(d) is amended by adding a new clause to the final sentence of the subsection in order to clarify congressional intent with respect to the use of economic support funds [ESF] for mixed financing programs. This amendment reiterates the policy already governing ESF in existing law, under the provisions of the Foreign Assistance Act of 1961, as amended.

Section 205 is further amended by striking subsection (e) and replacing it with a new subsection (e) that provides for funds to be used by AID for mixed financing to be limited only to those funds already allocated for commodity import programs [CIP]. This subsection prohibits the use of cash transfer programs, or projects financed with ESF, from being used in mixed finance programs that are governed by this title of the act.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., July 14, 1983.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate on S. 869, the Export-Import Bank Amendments of 1983, as ordered reported by the Senate Committee on Foreign Relations on July 12, 1983.

Should the committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ALICE M. RIVLIN,
Director.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

JULY 14, 1983.

1. Bill number: S. 869.
2. Bill title: Export-Import Bank Amendments of 1983.
3. Bill status: As ordered reported by the Senate Committee on Foreign Relations on July 12, 1983.
4. Bill purpose: Title I of the bill amends the Export-Import Bank Act of 1945 to: Extend the Bank's authority to write new loans, guarantees, and insurance, to the extent or in such amounts as are provided in appropriations acts, from September 30, 1983 through September 30, 1989; mandate that interest rates and terms on the Bank's programs be fully competitive with export of other countries; and otherwise amends Export-Import Acts.

Title II requires the Export-Import Bank and the Agency for International Development [AID] to each establish a program of mixed financing for U.S. exports, requires the President to coordinate and ensure the implementation of the mixed financing programs, and authorizes the appropriation of such funds as may be necessary to carry out the programs.

5. Estimated cost to the Federal Government: Section 104(b) extends the Bank's authority to write new loans, guarantees, and insurance from September 30, 1983 through September 30, 1989.

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988
Estimated direct loan obligations	4,606	4,826	5,038	5,240	5,438
Estimated loan guarantee commitments	9,423	9,873	10,305	10,719	11,124
Estimated outlays	301	1,601	2,629	2,984	2,943

Section 207 authorizes the appropriation of such funds as may be necessary to carry out programs of mixed credit export subsidies in the Export-Import Bank and the Agency for International Development.

	Millions
Estimated authorization:	
Fiscal year:	
1984	$300
1985	300
1986	-----
1987	-----
1988	-----
Estimated outlays:	
Fiscal year:	
1984	25
1985	110
1986	159
1987	108
1988	48

Basis of estimate.—The estimate assumes enactment of this legislation by September 30, 1983, and provision for the credit programs and estimated authorization in subsequent appropriation acts.

Section 7(a)(1) of the Export-Import Bank Act of 1945, as amended, limits spending authority under the act to such extent or in such amounts as are provided in appropriations acts. The direct credit and guaranteed loans levels assumed in this estimate are CBO baseline levels. The estimate uses historical loan disbursement, repayment, and cancellation rates, and economic assumptions in the first concurrent resolution on the budget for fiscal year 1984 for interest rates for the cost of the Bank's borrowings.

With declining interest rates projected in the current economic assumptions and minimum terms and conditions in the Arrangements on Guidelines for Officially Supported Export Credits of the Organization for Economic Cooperation and Development, new direct loans written under the extension of authority provided in section 104(b) of this bill are estimated to make a positive contribution to the Bank's net income even with the mandate in section 101 of this bill that all the Bank's support U.S. exports at rates and on terms and conditions which are fully competitive with exports of other countries. Should the minimum terms and conditions in the arrangement be lowered or the arrangement breakdown, or should interest rates for the Bank's borrowings rise, the positive contribution to net income could be eliminated or reversed, and the $250 million to $200 million losses estimated for the direct loan program for fiscal years 1983 and 1984 could continue or grow.

Title II requires the establishment of a mixed credit financing program within the Export-Import Bank and the Agency for International Development and authorizes such funds as may be necessary

for fiscal year 1984 and 1985 to carry out the program. Though the bill requires that such a program be established, the nature of the program is discretionary. Estimating of the cost of implementing the program is highly uncertain for a number of reasons. There is no estimate of the total value of mixed credits currently being provided by other exporting countries, nor is there an estimate of the proportion of this amount U.S. exporters could make a successful competing bid. To a great extent the costs of the program depend upon the reactions of other exporting nations to the creation of the program. The Export-Import Bank estimates that the value of mixed credits reported in 1982 was over $3 billion. The CBO estimate assumes that 25 percent of these could be won by U.S. exporters. (Twenty-five percent is the low range for conversion of Export-Import Bank's preliminary commitments.) The estimate assumes that in order to provide an average concessionality of 25 percent, 40 percent of the value of the individual cases would be provided as low interest loans with terms no more concessional than minimums established in section 122(b) of the Foreign Assistance Act of 1961, as amended.

The estimate assumes the purpose of title II is to combat predatory export financing engaged in by other exporting nations and not a means of extending planned foreign aid programs. The bill limits AID's participation in mixed credits to exports that can reasonably be expected to contribute to the advancement of development objectives of the importing country and are consistent with the economic, security and political criteria used to establish country allocations funds for the economic support fund [ESF]. The bill limits the amount of AID funds available for mixed credits to ESF funds allocated for commodity import programs to finance mixed credits. The open-ended authorization of appropriation in section 207 of this bill could be cited to justify a larger appropriation for the ESF than otherwise authorized under chapter 4 of part II of the Foreign Assistance Act of 1961, as amended. Outlays are estimated using historical disbursement rates for Export-Import Bank direct loans and repayment rates for development loans.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: This estimate revises the CBO estimate of May 12, 1983, for this bill as reported by the Senate Committee on Banking, Housing, and Urban Affairs. The amendments made by the Foreign Relations Committee limit the use of AID's funds for mixed credit financing to amounts allocated to the economic support fund's commodity import program and exports are consistent with economic, security, and political criteria used to justify ESF programs.

9. Estimate prepared by: Joseph C. Whitehill.

10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis.)

EVALUATION OF REGULATORY IMPACT

In accordance with rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has concluded that these two amendments do not have any regulatory impact.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED

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TITLE II—MIXED CREDIT EXPORT SUBSIDIES

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ESTABLISHMENT OF A MIXED FINANCING PROGRAM IN THE AGENCY FOR INTERNATIONAL DEVELOPMENT

SEC. 205. (a) * * *

* * * * * * *

(d) Funds of the Agency for International Development which are used to carry out a mixed financing program authorized by subsections (a), (b), and (c) shall be offered for financing only United States exports that can reasonably be expected to contribute to the advancement of the development objectives of the importing country or countries, *and shall be consistent with the economic, security and political criteria used to establish country allocations of Economic Support Funds.*

[(e) The Administrator of the Agency for International Development is authorized to draw on Economic Support Funds, as necessary, and to establish a fund, as necessary, for carrying out a mixed financing program as described in this section.]

(e) The Administrator of the Agency for International Development may draw only on Economic Support Funds allocated for Commodity Import Programs to finance a mixed financing activity.

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